

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

<b>The Peoples Gas Light and Coke Company :</b>	:	
	:	
<b>Informational statement pursuant to</b>	:	
<b>Section 6-102(d) of the Public Utilities</b>	:	<b>10-0522</b>
<b>Act in connection with the proposed</b>	:	
<b>issuance and sale of up to \$50 million</b>	:	
<b>aggregate principal amount of bonds or</b>	:	
<b>notes, or a combination thereof, in one</b>	:	
<b>or more series.</b>	:	

**DRAFT ORDER**

By the Commission:

**Introduction**

On August 30, 2010, The Peoples Gas Light and Coke Company (“Peoples Gas” or the “Company”) filed a verified “Informational Statement” with the Illinois Commerce Commission (“Commission”) pursuant to Section 6-102(d) of the Public Utilities Act (“Act”), 220 ILCS 5/1-101 *et seq.* In the Informational Statement, Peoples Gas seeks an order from the Commission for the proposed issuance of up to \$50,000,000, in aggregate principal amount, of bonds or notes. The authority is sought for Peoples Gas to refinance its currently outstanding \$50,000,000 3.75% Series LL First and Refunding Mortgage Bonds.

On September 2, 2010, Sheena Kight-Garlich, Senior Financial Analyst for the Finance Department of the Financial Analysis Division, on behalf of the Staff of the Illinois Commerce Commission (“Staff”), filed an Answer to the Informational Statement recommending the Commission issue an Order, pursuant to Section 6-102(d) of The Act, authorizing the transactions described in Peoples’ Informational Statement and identifying the applicable provisions of The Act and Administrative Code. Staff further recommends that the Commission order the Company to file reports relating to the issuance of the securities approved in this Order pursuant to 83 Ill. Adm. Code 240.

**Statutory Authority for Proposed Financing**

As explained more fully below, Peoples Gas states that its filing is governed by Section 6-102(d) of the Act and that Section 6-102(b) is not applicable to the proposed financing.

Section 6-102(b) of the Act provides, in relevant part, as follows:

(b) The provisions of this subsection (b) ... shall not apply to (3) any issuances of stock or of bonds, notes or other evidences of indebtedness 90% or more of the proceeds of which are to be used by the public utility for purposes of refunding, redeeming or refinancing outstanding issues of stock, bonds, notes or other evidences of indebtedness ...

Section 6-102(d) of the Act provides, in relevant part, as follows:

(d) Any issuance of stock or of bonds, notes or other evidences of indebtedness, other than issuances of notes pursuant to subsection (c) of this Section, which is not subject to subsection (b) of this Section, shall be regulated by the Commission as follows: the public utility shall file with the Commission, at least 15 days before the date of the issuance, an informational statement setting forth the type and amount of the issue and the purpose or purposes to which the issue or the proceeds thereof are to be applied. Prior to the date of the issuance specified in the public utility's filing, the Commission, if it finds that the issuance is not subject to subsection (b) of this Section, shall issue a written order in conformance with subsection (a) of this Section authorizing the issuance ... .

### **Nature and Purpose of Proposed Financing**

Peoples Gas states that it plans to issue up to \$50 million in aggregate principal amount of bonds or notes, or a combination thereof, in one or more series and in one or more transactions. The proceeds will be used to refinance Peoples Gas' currently outstanding \$50 million 3.75% Series LL First and Refunding Mortgage Bonds ("Series LL"), which became callable on February 1, 2010, at \$0.50 premium per \$100 bond for a total of \$250,000. Peoples Gas states that it does not plan on using the proceeds from the new debt to pay issuance costs, redemption costs or call premiums on Series LL. Series LL has a mandatory put date of February 1, 2012, at which point the current 3.75% interest rate will be reset. The final maturity on Series LL is February 1, 2033. Peoples Gas proposes to issue and sell First and Refunding Mortgage Bonds through an underwritten offering, an agency sale, or a private placement. According to Peoples Gas, if it determines to issue and sell any of the debt in an underwritten offering, then it plans to do so in a competitive manner to one or more investment banks. If Peoples Gas accepts an underwriting proposal for the debt, it intends to accept the proposal that provides it the lowest annual cost of money.

According to Peoples Gas, it intends to have the same final maturity as Series LL. It would like to extend the term of the mandatory put to 4 to 7 years to take advantage of current low interest rates. Peoples Gas states that the interest rate, which

will last until the mandatory put date to be determined based on market conditions, is expected to be in the 2.5% to 3.5% range, but due to capital market fluctuations, the terms of the debt will be determined at the time of the offering.

With regard to whether Section 6-102(b) of the Act is applicable, Peoples Gas states that Section 6-102(b) does not apply to the proposed transaction because it satisfies the subsection (3) test. The entire proposed transaction constitutes refinancing or refunding of outstanding debt. Consequently, the proposed transaction is not subject to Section 6-102(b) of the Act, and the proposed issuance is properly regulated under Section 6-102(d).

With regard to the fee to be paid pursuant to Section 6-108 of the Act, Peoples Gas states that it does not need to pay a fee for the new debt since it has already paid the Commission fees for the \$50 million Series LL bonds.

Finally, Peoples Gas requests an expiration date for Commission authority to issue the bonds or notes of two years from the date of issuance of the Commission's order to allow Peoples Gas the flexibility to transact at the most economically opportune time.

### **Staff's Answer**

Staff reviewed Peoples Gas' Informational Statement and Article VI of the Act. In its Answer, Staff states the Company's proposal is subject to Section 6-101 of the Act, which requires the Commission to provide an identification number to be placed on the face of securities and other evidences of indebtedness authorized by the Commission pursuant to Article VI of the Act. Staff indicates the Company requests the issuance of one (1) identification number pursuant to Section 6-101 of the Act. The Company's proposal is subject to Section 6-102(a) of the Act, which requires a Commission order authorizing the issuance of the Company's proposed indebtedness. The order must also state the amount of the proceeds and purposes to which they are to be applied, and that such application is reasonably required.

Staff agrees that Peoples Gas' proposal is not subject to Section 6-102(b) since 100% of the proceeds from the proposed debt issuance of \$50 million will be used to refunding existing bonds.

According to Staff's Answer, Peoples Gas' proposal is subject to Section 6-102(d), which requires the Informational Statement and a Commission Order in conformance with Section 6-102(a).

Staff stated that the Company's proposal is subject to Section 6-108, however since the proceeds will be used for the purpose of refunding outstanding bonds that have been issued with the consent of the Commission, no fee shall be required.

Staff notes that Peoples Gas' proposal is also subject to 83 Illinois Administrative Code Part 240, which requires the filing of reports relative to the issuances authorized herein unless the Commission's order provides otherwise.

Staff further stated that it has reviewed supplemental information provided by the Company. The Company anticipates that after the mandatory put date, the indebtedness will be remarketed with a fixed interest rate for a term of 2 to 10 years. The Company intends to choose the term that minimizes the interest rate and refinancing risk.

Accordingly, Staff recommends that the Commission issue an Order, pursuant to Section 6-102(d) of The Act, authorizing the transactions described in Peoples' Informational Statement and identifying the applicable provisions of The Act and Administrative Code. Staff further recommends that the Commission order the Company to file reports relating to the issuance of the securities approved in this Order pursuant to 83 Ill. Adm. Code 240.

### **Findings and Ordering Paragraphs**

The Commission, having considered the entire record herein, is of the opinion and finds that:

- (1) Peoples Gas is a corporation engaged in the sale and distribution of natural gas in portions of the State of Illinois and, as such, is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over Peoples Gas and the subject matter of this proceeding;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) subject to the conditions set forth herein, Peoples Gas' proposed issuance of up to \$50,000,000 in aggregate principal amount of bonds or notes to be used only in the manner described in Finding (5) below, is reasonable;
- (5) all proceeds will be used for the refinancing purposes described in this Order;
- (6) the funds to be obtained from the issuance are reasonably required for the purposes described herein;
- (7) the proposed transactions are not subject to the provisions of Section 6-102(b) of the Act;

- (8) in accordance with Section 6-101 of the Act, Peoples Gas shall, before issuance of the debt described herein, cause the following identification number to be placed on the face of such securities: Ill. C.C. No. \_\_\_\_\_; and
- (9) Peoples Gas shall comply with the reporting requirements of 83 Ill. Admin. Code Part 240, which reporting requirements are mandatory, and failure to make the filings could result in action against the Company seeking penalties for failure to comply with a Commission order, the requirements of a statute or the Commission's rules.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that The Peoples Gas Light and Coke Company's proposed issuance of up to \$50,000,000 in aggregate principal amount of bonds or notes is hereby approved in accordance with Section 6-102(d) of the Act.

IT IS FURTHER ORDERED that the authority to issue the bonds or notes granted herein shall expire on September \_\_\_\_, 2012.

IT IS FURTHER ORDERED that The Peoples Gas Light and Coke Company shall comply with Findings (4), (5), (8) and (9) of this Order.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Admin. Code Sec. 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this \_\_\_\_\_ day of September, 2010.

(SIGNED)

Chairman